

**TESTIMONY OF BRYAN McDONALD, DIRECTOR
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TO THE HOUSE HOMELAND SECURITY COMMITTEE**

May 22, 2007

I'd like to thank the members of the House Homeland Security Committee for allowing us to tell you about the tremendous recovery that is occurring in our great state. Thank you very much Mr. Chairman and Ranking Member and distinguished members of the committee for giving me the opportunity to come before you today.

On August 29, 2005, Hurricane Katrina struck Mississippi a grievous blow. Although the eye of the storm landed at the Mississippi-Louisiana line, that eye was more than thirty miles wide, and Katrina completely devastated our entire coastline, from Pearlinton to Pascagoula. The miles upon miles of utter destruction are unimaginable, except to those like many of you who have witnessed it with your own eyes. But this hurricane wasn't just a calamity for the Mississippi Gulf Coast. Its impact reached far inland in our state with hurricane force winds extending more than 200 miles from the Coast.

The storm claimed the lives of more than 230 Mississippians. The combination of the storm's slow speed and the shallow waters off the Mississippi shoreline created a storm surge in excess of 30 feet in some areas. More than 80 miles of Mississippi coastline were completely destroyed by the mixture of high storm surge and strong winds. In her wake, Katrina left literally tens of thousands of uninhabitable, often obliterated homes; thousands of small businesses in shambles; dozens of schools and public buildings ruined and unusable; highways, ports and railroads, water and sewer systems, all destroyed.

Damage along Mississippi's Gulf Coast was widespread, as damage estimates totaled more than \$125 billion. The Federal Emergency Management Agency (FEMA) reported that 65,380 homes in south Mississippi were severely damaged or destroyed. Electricity was lost for 80 percent of the state's three million residents. More than 45 million cubic yards of debris was left in Hurricane Katrina's wake in south Mississippi—double the debris that was created by Hurricane Andrew. Hurricane Katrina's effects on Mississippi alone, therefore, would rank as the largest natural disaster ever to strike the United States.

Our state and our citizens bore the brunt of a hurricane more devastating than anything this nation had ever seen, and the miles upon miles of utter destruction on the ground was unimaginable—except to those who witnessed it with their own eyes.

Hurricane Katrina destroyed thousands of businesses and billions of dollars in sales revenue were lost. Beachfronts and hotels were obliterated. Losses in livestock and agriculture hit our state's farming community especially hard. Small businesses—the lifeblood of many local economies—were wiped out along the coast line, and many were damaged or destroyed miles inland.

Mississippians found themselves having to scramble, adjust, innovate, and make do. However, it was the spirit of our people that pulled us through. Our people are strong, resilient, and self-reliant. They're not whiners and they're not into victimhood. From day one after the storm they got to work and did what had to be done. They helped themselves and helped their neighbors. Their spirit has been an inspiration to us all, and that spirit remains the key to our recovery, rebuilding and renewal.

However, several barriers to recovery still exist. The Department of Homeland Security, and more specifically, the Federal Emergency Management Agency, has the opportunity to remove some of those barriers, thus speeding recovery and allowing Coastal Mississippi to meet its potential.

Coastal Mississippi's local units of government have faced an array of challenges since August 29, 2005. Six of the eleven coastal cities elected new, first-term mayors less than two months before Hurricane Katrina made landfall. Although all within miles of each other, these eleven cities each had long-standing, distinct identities and enjoyed diverse economies and populations.

The effects of the storm also were unique to each community. Some cities have seen increased sales tax revenues compared to the same period in the previous fiscal year while others look to loans and government grants to provide necessary services in the near-term. The State of Mississippi has provided grants of direct cash aid to stabilize struggling coastal governments.

Of particular note is the stellar job local governments have done working with state and federal officials to manage the process of obligating and closing out more than \$ 2.1 billion in Public Assistance dollars through the Federal Emergency Management Agency. To date, FEMA has generated more than 10,000 Project Worksheets for repair and rebuilding projects in Mississippi's communities. FEMA has served as a good partner for the state, and we applaud their commitment to work with the state and locals to make this Public Assistance process efficient, despite the unprecedented destruction of this disaster.

Today, we are working hard to ensure that FEMA focuses its efforts on completion of the Public Assistance closeout process. Closing existing project worksheets is critical to ensuring that local governments receive final allocations of recovery money, and thus are able to pay contractors and subcontractors for work that in many cases was completed more than a year ago. The state requests that FEMA commit to a staffing plan that will provide for the closeout of all Category A and B project worksheets by December 31, 2007.

The state also places great priority on completion of the various outstanding project worksheets. We are especially concerned that the potential impacts of future disasters in the United States could force mass relocations of FEMA staff away from the Gulf Coast. As a result, we ask that FEMA give particular priority to eliminating the current backlog of project worksheets by August 31, 2007.

Mississippi is committed to working to maintain the positive momentum and cooperative spirit that exists between FEMA, the state, and locals. In recognition of the cooperative spirit that exists, we also seek to ensure that FEMA headquarters continues to honor critical decisions made

by local FEMA leadership and field personnel in the weeks and months immediately following the disaster. We believe it is important for decisions made by local FEMA leaders during the immediate post-disaster environment to be affirmed and upheld throughout the disaster recovery process. It is critical that decisions made on the ground carry weight throughout the agency, such that state and local elected officials can act quickly and in good faith based on those decisions.

Of final note, local units of government have provided great leadership in ensuring that Mississippi is built back better than ever. Following the unprecedented Mississippi Renewal Forum in mid-October 2005, which paired Mississippi architects and elected officials with international experts in architecture and urban planning, most cities along the Coast have sponsored more intensive, multi-day charrettes, or planning and design sessions. These sessions attract the talents of worldwide experts and non-profit community building organizations and also provide broad public participation.

A key component of the effective revitalization of Coastal Mississippi is the state's comprehensive approach to mitigating against the risk of future coastal hazards. We are committed to achieving this goal through intelligent use of Hazard Mitigation Grant Program monies.

The Hazard Mitigation Grant Program is a federal program administered by the Federal Emergency Management Agency that provides post disaster funding to reduce or eliminate the future impacts of natural hazards to lives and property. Some examples of HMGP eligible activities are: residential storm safe rooms, retrofitting public facilities, hardening of public facilities to serve as shelters, buyout of property, elevating homes, and reconstructing homes in a safe manner.

As with most federal grant programs, HMGP requires a 25% non-federal cost share. The Mississippi Emergency Management Agency (MEMA) serves as a sub-grantee and is responsible for establishing project priorities and program oversight. HMGP funds are computed by calculating 7.5% of total federal disaster cost. To date, Hurricane Katrina has generated \$434 million in HMGP funds, thus requiring an estimated \$145 million non-federal cost-share. Mississippi seeks to satisfy this cost share through the application of the "Global Match" concept.

The term "Global Match" generally refers to a non-federal contribution derived from several non-federally funded projects that are pooled together to meet a grant award match commitment. Global Match may also apply when a single non-federally funded project is used to fulfill the match requirement for one or more federally funded projects. Generally, "Global Match" is used to fulfill the 25% or greater local and state match required by FEMA's Hazard Mitigation Grant Program.

It is important to note that the application of the Global Match concept is a completely separate issue from the non-federal match for Public Assistance. The State of Mississippi has set aside funds required for the Public Assistance match.

Mississippi's application of Global Match seeks to allow the 25 percent HMGP match to be met with non-federal funds that were used for other projects that were in keeping with the goals of the Hazard Mitigation Grant Program. The state is tasked with identifying such projects. In most cases, those projects would have qualified under HMGP, but were funded by a separate source (e.g. private monies, insurance proceeds, grants).

Early after Hurricane Katrina, the state recognized that it should pursue the Global Match concept by which non-federal dollars could be applied to all HMGP projects as in-kind (in lieu of cash) match. More specifically, it was identified that Community Development Block Grant funds utilized in the state's Homeowner Assistance Program (HAP) could serve as sufficient match for the entire \$433 million. A Memorandum of Understanding between the Department of Homeland Security and MEMA regarding the eligibility of projects to serve as match for HMGP was drafted and signed in 2006.

The use of Global Match will directly allow our local communities with devastated infrastructure, tax bases and finances, to pursue FEMA approved goals, including, but not limited to, retrofitting public facilities, hardening of public facilities to serve as shelters, buyout of property, etc. In addition, the very communities where need is the greatest have the highest level of inability to provide detailed projects under the HMGP guidelines to secure HMGP funding. Those impacted communities do not have the manpower and finances to document and track the detail required by FEMA for such programs.

Mississippi is working to allow the Homeowner Grant monies spent in conjunction with Mississippi's Homeowner Assistance Program (Phase I, Phase II, and Elevation Program) to qualify for Global Match. This will eliminate the need for local governments to provide the match from local funds. The grants mentioned above should qualify for Global Match because they achieve the same goals as HMGP. FEMA agreed to this at the local level, but was reversed in review. FEMA Region IV ruled that projects must be pre-approved and related cost must be captured and segregated into six categories. In addition, FEMA disallowed all Phase II costs due to the low-income nature of the plan (homeowners over 120 percent AMI do not qualify for Phase II grants). Compliance with Region IV's pre-approval request would have resulted in unallowable delays in Katrina recovery.

The funds utilized by the State in the Homeowner Assistance Program (HAP) should be allowed to fulfill State requirements of Global Match in order to meet the matching requirements of the hazard mitigation grant program. To date the State of Mississippi through the Mississippi Development Authority (MDA) has taken 18,916 applications for Phase I, and has closed 90 percent of the eligible grant applications totaling more than \$900,000,000. As stated in the MDA HAP, Partial Action Plan adopted by HUD, the purpose of the program is to provide a one-time grant payment, up to a maximum of \$150,000, to eligible homeowners who suffered flood damage to their primary residence as of August 29, 2005, from Hurricane Katrina. In exchange for the grant payment, a qualifying homeowner must agree to a mitigation covenant on their property that establishes higher building codes, flood insurance and elevation requirements for the then or future owner of the land. These mitigation covenant requirements and improved standards were implemented after Hurricane Katrina on August 29, 2005.

The mitigation covenant specifically states that the homeowner will now be required to: obtain and maintain flood insurance; rebuild and repair will be in accordance with the much more stringent 2003 international building codes; if rebuilding, the home and all future structures will be elevated to the FEMA advisory flood elevations in effect at that time.

Mitigation has taken place by the placement of the covenant irrespective of whether the homeowner has repaired, rebuilt or left the former home site vacant. The covenant is in place in all cases.

The HAP grant award is not awarded to the homeowner unless the mitigation covenant is attached to the property legally. The mitigation covenant is in perpetuity, runs with the flooded land forever, and permanently impacts that locality. The mitigation covenant fulfills the legislative intent by significantly lessening the impact of a future similar storm or flooding event. Thus, Phase I funds distributed should be allowed to fulfill State requirements of Global Match in order to meet the matching requirements of the hazard mitigation program.

The FEMA-State Agreement (MOU) presently provides for Global Match. However, it limits Mississippi's ability to qualify Phase I as a global match project because it requires "any project contributing towards the program cost-share must meet all HMGP requirements, including all eligibility criteria." Such criteria, as provided in 44 CFR § 206.434(c), restricts the State of Mississippi's ability to qualify Phase I because of the thousands of separate properties affected thereunder. Environmental assessments, cost-effective analysis and pre-certification of Phase I as they relate to each property are administratively fatal to qualifying Phase I for Global Match.

As a result, Mississippi municipalities under severe financial strain are denied the benefits of the hazard mitigation grant program. Without the ability to utilize Phase I projects as the non-federal portion of the State's cost-share requirement, these counties cannot implement measures to achieve the goals of the hazard mitigation program to reduce the risk of future damage, hardship, loss or suffering, as outlined above. Thus, unless a solution can be found, the intended benefits of the hazard mitigation grant program will not be realized.

Accordingly, the State of Mississippi respectfully requests that FEMA work with us to create an acceptable mechanism to qualify Phase I as consistent with the goals of HMGP so that it will be eligible to serve as then on-federal portion of the cost-share requirement, without requiring an administratively fatal analysis and application process.

FEMA is authorized to waive such administrative regulations under 42 U.S.C. § 5141 (Stafford Act), which states that "[a]ny federal agency charged with the administration of a Federal assistance program, may . . . waive . . . such administrative conditions for assistance as would otherwise prevent the giving of assistance under such programs if the inability to meet such conditions is a result of the major disaster." Clearly, Mississippi's inability to qualify for immediate disbursement of available hazard mitigation funds to begin implementation of its hazard mitigation programs is a direct result of the devastating impact of Hurricane Katrina.

Aside from the "Global Match" concept, The State of Mississippi is also working with FEMA ensure that the agency's Reasonable Cost standards are applied in a manner that protects coastal

communities in Mississippi that adhered to all Federal, State, and local procurement requirements.

Under the Public Assistance Program, costs that can be directly tied to the performance of eligible work are generally eligible, given that the costs are reasonable and necessary to accomplish the work; compliant with Federal, State, and local requirements for procurement; and reduced by all applicable credits, such as insurance proceeds and salvage values.

FEMA determines that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In other words, a reasonable cost is a cost that is both fair and equitable for the type of work being performed.

FEMA currently establishes reasonable cost standards through the use of historical documentation for similar work; average costs for similar work in the area; published unit costs from national cost estimating databases; and FEMA cost codes.

However, due to the unprecedented nature of this disaster, some costs associated with recovery work have been deemed unreasonable by FEMA, despite the fact that applicants adhered to all Federal, State, and local procurement requirements. The state asks that FEMA expand its standards through which reasonable costs are established to take into account all factors contributing to the market conditions that exist in Mississippi's post-disaster environment.

Despite the challenges that exist in Mississippi's post-disaster environment, several opportunities also exist. While many of the recovery projects in Mississippi are being funded through other federal agencies and programs, the Department of Homeland Security and FEMA has a significant role to play in the long term recovery effort.

In fact, the state has entered into a partnership with FEMA for creation and implementation of a Long Term Recovery Process. This process is unprecedented in the fact that it gives the Department of Homeland Security and FEMA an opportunity to lend their expertise to assist in long term recovery project implementation, regardless of the funding sources or federal agencies involved. The State of Mississippi and local FEMA leaders view this proactive process as a model that could guide long term recovery efforts during future disasters. Due to the array of long term recovery opportunities that exist, the State of Mississippi is working with FEMA to increase the federal resources allocated to the Long Term Recovery Process.

Building on the long term recovery plans written by FEMA's Emergency Support Function 14, the new Long Term Recovery process takes additional steps to identify and secure state and federal resources necessary for long term recovery plan implementation. The Long Term Recovery Process allows FEMA to begin developing best practices for long term recovery to compliment the immediate response expertise the agency already possesses. The Long Term Recovery Process also allows FEMA to develop a program by which it partners with the state and local units of government to move beyond the realm of long term recovery planning, and into the realm of long term recovery implementation. In many cases, long term recovery

projects identified in FEMA's plans are being funded through Mississippi's Community Development Block Grant allocations.

Rebuilding and expanding our state's economic infrastructure, creating jobs, and stabilizing our state's insurance market are top priorities. Restoring our state's economic base and tax revenues is critical to the long-term recovery of the state. Federal monies have contributed greatly to the improving quality of life in coastal Mississippi. However, we are still presented with challenges. We are grateful to President Bush and Congress for trusting us with these funds, and we pledge to continue to be good stewards of the taxpayer's money.

Education is the number one economic development issue in Mississippi and in every other state; and it is our number one quality of life issue, too. That is why it is our top priority and why it receives 62% of the state's budget. As such, our schools' recovery from Hurricane Katrina is perhaps one of the finest examples of the many markers of recovery that exist.

Katrina had a devastating impact on Mississippi's public schools. 79 school districts, a total of 263 schools, suffered damage. The storm totally destroyed 16 schools and severely damaged another 24. Only 14 of 152 school districts statewide did not miss any days due to the storm. All told, nearly 80,000 children were out of school in Mississippi immediately after Katrina. However, children did not stay out of school for long, as local school districts and FEMA cleaned up and repaired the schools that received minimal damage and secured portable classrooms for those schools that were more heavily damaged.

Most Mississippi school districts were able to resume operations within two weeks after the storm. A mere six weeks after the storm, all but one school district on the Coast, Bay St. Louis-Waveland, was back open, and that school district opened November 7th. As of the spring semester of the '05-'06 school year, Mississippi K-12 schools in six coastal counties were operating at nearly 90 percent of pre-Katrina enrollment. Those enrollment numbers are even higher today.

There is a real lesson to be learned from the administrators, teachers, students and parents that worked tirelessly to ensure that Hurricane Katrina did not cripple education in South Mississippi.

This testimony would be remiss if it did not also mention the tremendous impact non-governmental organizations have had on our state's recovery. Since the hurricane, we have been overwhelmed by the support of people from across the nation and world willing to help us get back on our feet. Their generosity has been indispensable to Mississippians who are trying to rebuild their homes, communities, and lives. They've been evidence that an awful disaster can bring out the best in people.

Perhaps no sector deserves more gratitude than the faith-based and not-for-profit organizations. These NGOs provided shelter, food, clothing, and financial assistance in the hours following Hurricane Katrina and have been unwavering in their presence and support since then. Many of these volunteer organizations are familiar names, such as the United Way, American Red Cross, Salvation Army, Back Bay Mission, and Catholic Relief Services. Others, such as the Hands On Network, United Methodist Committee on Relief (UMCOR), Kaboom!, and the Mennonites may

not have been well known to many South Mississippians before August 29, but now will never be forgotten. Their work and the work of hundreds more like them have restored hope and helped to rebuild lives.

After the untold suffering and loss from the devastation of Katrina, Mississippi is well on its way toward recovery. At this point in the recovery process, the state has worked to fulfill the temporary recovery needs of our citizens, while developing solutions for the long-term problems facing storm-wrecked communities. Much of the federal assistance needed to address the projects and policies identified in state and local plans has been procured. As such, the state now finds itself in the implementation phase of recovery.

We understand that our work to recover, rebuild, and renew will take years. More importantly, however, it will also take the continued support our nation's leaders and the American people. Katrina revealed to the world and to ourselves the character and spirit of Mississippians. That revelation creates unprecedented opportunity for us and our state - opportunity for job creation and economic prosperity; for a better quality of life for our people; for greater, more widely spread equity that at any other time in our history.

Indeed, much opportunity lies ahead. Hurricane Katrina, with all its destruction, gave birth to a renaissance in Mississippi that will result in rebuilding our state bigger and better than ever before. Our citizens will be at the heart of that renaissance. The people of our Gulf Coast have been a model of the spirit and character Mississippians. They have remained strong, resilient and self-reliant though they have endured terrible hardships. They bore the worst of Katrina and many are still living in conditions that amount to deprivation, but they persevere. Our people are rebuilding one day at a time, and we ask for your continued assistance in helping them move forward. Through your efforts and the efforts of the people of our great state, we are rebuilding a Mississippi that will exceed anything we have ever known.

Thank You.